

CITY OF STORM LAKE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2015

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CITY OF STORM LAKE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Kruse	Mayor	December, 2017
David Walker	Mayor Pro Tem	December, 2015
Bruce Engelman	Council Member	December, 2015
Sara Huddleston	Council Member	December, 2015
Dan Anderson	Council Member	December, 2017
Mike Porsch	Council Member	December, 2017
James Patrick	City Manager	Indefinite
Justin Yarosevich	Assistant City Manager/City Clerk	Resigned July 2015
Phil Havens	City Attorney	Indefinite

# HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
JASON K. RAVELING  
TAMMY M. CARLSON, C.P.A.  
STEVE C. CAMPBELL, C.P.A.  
RICHARD R. MOORE, C.P.A. (RETIRED)  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W. J. HUNZELMAN, C.P.A. 1921-1997

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Storm Lake  
Storm Lake, Iowa 50588

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Storm Lake, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Storm Lake as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.



### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Emphasis of a Matter

As disclosed in Note 5 to the financial statements, City of Storm Lake adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Storm Lake's basic financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the Budgetary Comparison Information, the City's Proportionate Share of the Net Pension Liability, Schedule of City Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 12 and 41 through 47, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016 on our consideration of City of Storm Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Storm Lake's internal control over financial reporting and compliance.

*Hunzelman, Putzier & Co., PLC*

February 29, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Storm Lake provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 36.6%, or approximately \$4,056,000, from fiscal year 2014 to fiscal year 2015. Charges for service increased approximately \$168,000; operating grants, contributions, and restricted interest increased approximately \$81,000; capital grants, contributions and restricted interest decreased approximately \$76,000, and property and other city tax receipts increased approximately \$307,000.
- Disbursements of the City's governmental activities increased 46.9%, or approximately \$4,706,000, more in fiscal year 2015 than in fiscal year 2014. Public safety disbursements increased approximately \$26,000; culture and recreation disbursements increased approximately \$62,000; public works disbursements decreased approximately \$4,000; debt service disbursements increased approximately \$3,601,000.
- The City of Storm Lake's cash basis net position decreased 17% or approximately \$2,617,000, from June 30, 2014, to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,084,000 and the cash basis net position of the business type activities decreased approximately \$3,701,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and the City's proportionate share of the net pension liability and related contributions.
- Supplementary Information provides detailed information about the nonmajor governmental funds, the individual Agency Funds, and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property and other taxes and state and federal grants finance most of these activities.
- Business-type activities include the waterworks, sanitary sewer system, storm water system, landfill, and King's Pointe. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three categories of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing, Local Option Sales Tax, and Employee Benefits Tax Levy, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business type activities. The City's Enterprise Funds include the Water, Wastewater, Storm Water, Landfill and King's Pointe Funds, each considered to be a major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES** - (Continued)

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the City's own programs. These fiduciary funds include a Pension Trust Fund, and various Agency Funds

The financial statement required for fiduciary funds is a Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Agency Funds.

Reconciliations between the government-wide financial statement and the governmental fund financial statements follow the governmental fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$5.757 million to approximately \$6.841 million. The analysis that follows focuses on the changes in the net position for governmental and business type activities.

### **Changes in Net Position of Governmental Activities**

	Changes in Net Position for the Year Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Receipts:						
Program receipts:						
Charges for service	\$ 2,842,147	\$ 2,673,785	\$ 10,866,382	\$ 10,463,535	\$ 13,708,529	\$ 13,137,320
Operating grants, contributions, and restricted interest	1,536,720	1,455,223	-	-	1,536,720	1,455,223
Capital grants, contributions, and restricted interest	597,018	672,679	5,835,382	6,955,455	6,432,400	7,628,134
General receipts:						
Property tax levied for:						
General purposes	4,061,479	3,881,009	-	-	4,061,479	3,881,009
Debt service	341,884	329,069	-	-	341,884	329,069
Tax increment financing	728,556	684,615	-	-	728,556	684,615
Other taxes	1,453,414	1,383,486	-	-	1,453,414	1,383,486
Unrestricted investment earnings	16,442	14,327	18,529	21,913	34,971	36,240
Bond proceeds	3,569,374	-	-	-	3,569,374	-
Miscellaneous	5,996	2,690	-	-	5,996	2,690
Total revenues	<u>15,153,030</u>	<u>11,096,883</u>	<u>16,720,293</u>	<u>17,440,903</u>	<u>31,873,323</u>	<u>28,537,786</u>
Program disbursements:						
Public safety	2,512,422	2,486,135	-	-	2,512,422	2,486,135
Public works	1,266,135	1,269,887	-	-	1,266,135	1,269,887
Health and social services	8,331	3,326	-	-	8,331	3,326
Culture and recreation	1,648,232	1,585,997	-	-	1,648,232	1,585,997
Community and economic development	885,849	738,957	-	-	885,849	738,957
General government	1,331,000	836,190	-	-	1,331,000	836,190
Debt service	5,563,604	1,962,611	-	-	5,563,604	1,962,611
Capital projects	1,521,245	1,148,061	-	-	1,521,245	1,148,061

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** - (Continued)

	Changes in Net Position for the Year Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program disbursements:						
Water	-	-	5,605,421	3,501,433	5,605,421	3,501,433
Wastewater	-	-	8,215,403	12,880,028	8,215,403	12,880,028
Landfill	-	-	433,977	431,515	433,977	431,515
Storm water	-	-	907,699	2,005,387	907,699	2,005,387
King's Pointe	-	-	4,287,974	3,904,521	4,287,974	3,904,521
Total disbursements	<u>14,736,818</u>	<u>10,031,164</u>	<u>19,450,474</u>	<u>22,722,884</u>	<u>34,187,292</u>	<u>32,754,048</u>
Change in cash basis net position before transfers	416,212	1,065,719	(2,730,181)	(5,281,981)	(2,313,969)	(4,216,262)
Transfers	<u>668,159</u>	<u>62,521</u>	<u>(970,968)</u>	<u>(350,574)</u>	<u>(302,809)</u>	<u>(288,053)</u>
Change in cash basis net position	1,084,371	1,128,240	(3,701,149)	(5,632,555)	(2,616,778)	(4,504,315)
Cash basis net position, beginning of year	<u>5,756,538</u>	<u>4,628,298</u>	<u>9,615,858</u>	<u>15,248,413</u>	<u>15,372,396</u>	<u>19,876,711</u>
Cash basis net position, end of year	<u>\$ 6,840,909</u>	<u>\$ 5,756,538</u>	<u>\$ 5,914,709</u>	<u>\$ 9,615,858</u>	<u>\$ 12,755,618</u>	<u>\$ 15,372,396</u>

The City's cash basis net position of governmental activities increased approximately \$1,084,000 during the year. Receipts for governmental activities increased approximately \$4,056,000 and disbursements increased approximately \$4,706,000 from the prior year. Both increases were largely due to the refinancing of general obligation bonds.

The cost of all governmental activities this year was approximately \$14.7 million compared to approximately \$10 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was approximately only \$9.76 million because some of the cost was paid by those directly benefitting from the programs (approximately \$2.84 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$2.1 million). The City paid the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts.

The City's cash basis net position of business type activities decreased approximately \$3,701,000 during the year. Receipts for business type activities decreased approximately \$1,295,000 from the prior year while total disbursements were approximately \$3,847,000 less than the prior fiscal year.

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## Changes in Cash Basis Net Position of Business Type Activities

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### **INDIVIDUAL MAJOR FUND ANALYSIS**

#### **Governmental Fund Highlights**

As the City of Storm Lake completed the year, its governmental funds reported a combined fund balance of \$5,839,098, an increase of \$1,309,955 from the prior year ending fund balance total of \$4,529,143. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

- From FY'14 to FY'15, the General Fund showed an increase in fund balance of \$285,298. Disbursements increased \$23,673, and receipts increased \$143,759.
- The Special Revenue, Road Use Tax Fund accounts for the road use tax allocation from the State of Iowa to be used for road construction and maintenance. This fund ended fiscal year 2015 with a \$316,291 balance compared to the prior year ending balance of \$345,350.
- The Special Revenue, Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for capital improvements, equipment, and community programs and services. This fund ended fiscal year 2015 with a \$552,243 balance compared to the prior year ending fund balance of \$558,678. Local option sales tax revenue increased \$16,599 from fiscal year 2014.
- The Special Revenue, Special Levy Fund is used to account for property tax levied to finance the payment of employee benefits. This fund ended fiscal year 2015 with a (\$8,902) fund balance compared to the prior year ending fund balance of (\$68,136).
- The Special Revenue, Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used for transfers to other funds to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal development projects. This fund ended fiscal year 2015 with a \$(30,191) balance compared to the prior year ending fund balance of \$(299,007). The deficit fund balance is a result of capital disbursements in the new TIF areas.
- The Debt Service Fund ended fiscal year 2015 with a \$164,695 balance compared to the prior year ending fund balance of \$113,108.
- The Capital Projects Fund ended fiscal year 2015 with a \$3,107,480 balance compared to the prior year ending fund balance of \$2,305,692.

#### **Proprietary Fund Highlights**

- The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, ended 2015 with a cash balance of \$3,327,676 compared to the prior year ending cash balance of \$5,749,292.
- The Enterprise, Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2015 with a cash balance of \$1,241,531 compared to the prior year ending cash balance of \$2,272,986.
- The Enterprise, King's Pointe Fund, which accounts for the operation and maintenance of King's Pointe Resort, ended 2015 with a net cash balance of \$847,296 compared to the prior year ending cash balance of \$883,728.
- The other major enterprise funds ended 2015 with a cash balance of \$498,206 compared to the prior year ending cash balance of \$709,852.

## **INDIVIDUAL MAJOR FUND ANALYSIS-** (Continued)

### **Proprietary Fund Highlights-** (Continued)

- The Internal Service Funds are used by management to charge the cost of employee health benefits, technology purchases, and fleet purchases to the individual funds. The cash balance of the Internal Service Fund decreased \$225,584 to \$1,001,811.

## **BUDGETARY HIGHLIGHTS**

During FY'15, the City of Storm Lake amended its budget three times. The first amendment, approved March 16, 2015, increased expenses for community and economic development by \$507,000 to cover the costs associated with putting in the utility infrastructure in the new TIF area that is the 3<sup>rd</sup> Addition Subdivision.

The second amendment was approved May 18, 2015 and included revenue increases totaling \$2,260,963. Expenses were increased a total of 6,489,948 for public works, culture and recreation, general government, debt service, capital projects and business type expenses. The increase in revenues was due to increased FEMA grant reimbursements, building permits, hotel revenue and hotel/motel tax and local option sales tax revenue. The increase in expenses was due to additional capital projects, police vehicle repairs due to accidents, traffic signal replacements and repairs, cottage capital expenses, TIF area expenses, hotel and outdoor waterpark expenses, legal fees, technology, refinancing fees for the bonds, the FEMA Project contract expenses and water meters for new projects.

The third amendment, approved June 15, 2015, included an increase to other financing sources for \$3,476,835 and an increase to debt service expenditures for \$3,480,000. The increases were due to the refinancing of the 2006 Annual Appropriation Bond. The original bond was paid off with the proceeds of the refinancing.

## **DEBT ADMINISTRATION**

### **Long Term Debt**

At June 30, 2015, the City had \$20,670,000 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$14,531,000 at June 30, 2015.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. At June 30, 2015, the city was at 65% of its constitutional debt limit of approximately \$23,050,000 with a computed outstanding balance of approximately \$14,923,000. While the total general obligation debt outstanding exceeds this amount, certain general obligation bonds include annual appropriation terms. The annual appropriation amount is the principal and interest due in the next year, and only this amount is required to be included in the computation of the statutory debt limit.

Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Development within Storm Lake continues to see growth; however over the past year, the majority of the new growth is related to two tax credit housing projects. Specifically, the large expansion at Buena Vista Regional Medical Center and plans for the faith based entities to expand.

Housing continues to be a major factor for growth in the community with potential relief in the form of vacant lots in Storm Lake's 3<sup>rd</sup> Addition and future redevelopment of the abandoned condo facility in the next four years.

Future budgets continue to allocate resources toward improving infrastructure, rehabilitating existing housing stock (through grants) and improving quality of life functions in hopes of stimulating additional development.

Revenues in Local Option Sales Tax remain steady and Hotel/Motel Tax has seen some increase. These revenues are both indicators of the healthy economy that Storm Lake has.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of The City of Storm Lake's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, P.O. Box 1086, 620 Erie Street, Storm Lake, Iowa, 50588.



CITY OF STORM LAKE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 2,512,422	\$ 641,948	\$ 99,702	\$ -	\$ (1,770,772)	\$ -	\$ (1,770,772)
Public works	1,266,135	483,073	1,215,436	-	432,374	-	432,374
Health and social services	8,331	-	-	-	(8,331)	-	(8,331)
Culture and recreation	1,648,232	996,304	41,491	-	(610,437)	-	(610,437)
Community and economic development	885,849	14,463	176,598	-	(694,788)	-	(694,788)
General government	1,331,000	706,359	-	-	(624,641)	-	(624,641)
Debt service	5,563,604	-	-	-	(5,563,604)	-	(5,563,604)
Capital projects	1,521,245	-	3,493	597,018	(920,734)	-	(920,734)
Total governmental activities	14,736,818	2,842,147	1,536,720	597,018	(9,760,933)	-	(9,760,933)
Business-type activities:							
Water	5,605,421	3,063,723	-	-	-	(2,541,698)	(2,541,698)
Sewer	8,215,403	2,114,107	-	5,596,127	-	(505,169)	(505,169)
King's Pointe	4,287,974	4,812,907	-	-	-	524,933	524,933
Landfill	433,977	454,679	-	-	-	20,702	20,702
Storm Water	907,699	420,966	-	239,255	-	(247,478)	(247,478)
Total business-type activities	19,450,474	10,866,382	-	5,835,382	-	(2,748,710)	(2,748,710)
Total	\$ 34,187,292	\$ 13,708,529	\$ 1,536,720	\$ 6,432,400	(9,760,933)	(2,748,710)	(12,509,643)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					4,061,479	-	4,061,479
Debt service					341,884	-	341,884
Tax increment financing					728,556	-	728,556
Hotel motel tax					333,955	-	333,955
Local option sales tax					1,119,459	-	1,119,459
Unrestricted interest on investments					16,442	18,529	34,971
Bond proceeds					3,569,374	-	3,569,374
Miscellaneous					5,996	-	5,996
Transfers					668,159	(970,968)	(302,809)
Total general receipts and transfers					10,845,304	(952,439)	9,892,865
Change in cash basis net position					1,084,371	(3,701,149)	(2,616,778)
Cash basis net position beginning of year					5,756,538	9,615,858	15,372,396
Cash basis net position end of year					\$ 6,840,909	\$ 5,914,709	\$ 12,755,618

See Notes to Financial Statements.

CITY OF STORM LAKE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A  
(Continued)

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Cash Basis Net Position							
Restricted:							
Nonexpendable - Library					\$ 2,714	\$ -	\$ 2,714
Expendable:							
Streets					1,385,784	-	1,385,784
Capital improvements					3,762,801	-	3,762,801
Debt service					164,695	1,142,160	1,306,855
Other purposes					266,834	-	266,834
Unrestricted					<u>1,258,081</u>	<u>4,772,549</u>	<u>6,030,630</u>
Total cash basis net position					<u>\$ 6,840,909</u>	<u>\$ 5,914,709</u>	<u>\$12,755,618</u>

CITY OF STORM LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

Exhibit B

	Special Revenue								
	General	Road Use	Local Option	Special Levy	Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
		Tax	Sales Tax		Financing				
Receipts:									
Property tax	\$ 2,355,941	\$ -	\$ -	\$ 1,046,682	\$ -	\$ 341,884	\$ -	\$ 69,497	\$ 3,814,004
Tax increment financing	-	-	-	-	728,556	-	-	-	728,556
Other city tax	870,879	-	1,119,459	38,289	-	11,599	-	2,546	2,042,772
Licenses and permits	261,740	36,681	-	-	-	-	-	-	298,421
Use of money and property	137,977	-	1,686	-	-	-	7,472	693	147,828
Intergovernmental	94,787	1,102,215	-	-	-	-	556,030	3,144	1,756,176
Charges for services	1,546,243	5,763	-	256,000	150	-	-	429	1,808,585
Miscellaneous	185,001	-	-	-	-	-	50,331	45,888	281,220
Total receipts	5,452,568	1,144,659	1,121,145	1,340,971	728,706	353,483	613,833	122,197	10,877,562
Disbursements:									
Operating:									
Public safety	1,877,472	-	-	497,621	-	-	-	77,696	2,452,789
Public works	376,122	716,120	-	154,586	-	-	-	-	1,246,828
Health and social services	8,331	-	-	-	-	-	-	-	8,331
Culture and recreation	1,453,251	-	-	179,130	-	-	-	1,196	1,633,577
Community and economic development	499,537	-	-	27,547	356,570	-	-	-	883,654
General government	291,826	-	-	38,707	-	-	-	164,579	495,112
Debt service	-	-	-	-	-	5,563,604	-	-	5,563,604
Capital projects	-	-	-	-	-	-	1,521,245	-	1,521,245
Total disbursements	4,506,539	716,120	-	897,591	356,570	5,563,604	1,521,245	243,471	13,805,140
Excess (deficiency) of receipts over disbursements	946,029	428,539	1,121,145	443,380	372,136	(5,210,121)	(907,412)	(121,274)	(2,927,578)
Other financing sources (uses):									
General obligation bonds proceeds	-	-	-	-	-	3,569,374	-	-	3,569,374
Operating transfers in	172,259	16,724	235,000	-	419,790	1,692,334	1,709,200	-	4,245,307
Operating transfers out	(832,990)	(474,322)	(1,362,580)	(384,146)	(523,110)	-	-	-	(3,577,148)
Total other financing sources (uses)	(660,731)	(457,598)	(1,127,580)	(384,146)	(103,320)	5,261,708	1,709,200	-	4,237,533
Net change in cash balances	285,298	(29,059)	(6,435)	59,234	268,816	51,587	801,788	(121,274)	1,309,955
Cash balances, beginning of year	1,173,736	345,350	558,678	(68,136)	(299,007)	113,108	2,305,692	399,722	4,529,143
Cash balances, end of year	\$ 1,459,034	\$ 316,291	\$ 552,243	\$ (8,902)	\$ (30,191)	\$ 164,695	\$ 3,107,480	\$ 278,448	\$ 5,839,098

See Notes to Financial Statements.

CITY OF STORM LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

Exhibit B  
(Continued)

	Special Revenue								
	General	Road Use Tax	Local Option Sales Tax	Special Levy	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Cash Basis Fund Balances									
Nonspendable - Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,714	\$ 2,714
Restricted for:									
Streets	-	316,291	-	-	-	-	-	-	316,291
Capital improvements	-	-	552,243	-	-	-	-	-	552,243
Debt service	-	-	-	-	-	164,695	-	-	164,695
Other purposes	-	-	-	-	-	-	-	275,734	275,734
Assigned for:									
Capital projects	-	-	-	-	-	-	3,107,480	-	3,107,480
Unassigned	1,459,034	-	-	(8,902)	(30,191)	-	-	-	1,419,941
Total cash basis fund balances	<u>\$ 1,459,034</u>	<u>\$ 316,291</u>	<u>\$ 552,243</u>	<u>\$ (8,902)</u>	<u>\$ (30,191)</u>	<u>\$ 164,695</u>	<u>\$ 3,107,480</u>	<u>\$ 278,448</u>	<u>\$ 5,839,098</u>

CITY OF STORM LAKE  
RECONCILIATION OF THE STATEMENT OF CASH  
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION –  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

Exhibit C

Total governmental funds cash balances (page 15)	\$ 5,839,098
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits and fleet purchases to the individual funds. The cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>1,001,811</u>
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Cash basis net position of governmental activities (page 13)	<u>\$ 6,840,909</u>
--	---------------------

Change in cash balances (page 15)	\$ 1,309,955
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>(225,584)</u>
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Change in net position of governmental activities (page 13)	<u>\$ 1,084,371</u>
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CITY OF STORM LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

Exhibit D

	Enterprise						Internal
	Water	Wastewater	King's Pointe	Landfill	Storm Water	Total	Service Funds
Operating receipts:							
Charges for services	\$ 2,849,682	\$ 2,102,731	\$ 4,799,338	\$ 454,074	\$ 415,591	\$ 10,621,416	\$ 899,382
Miscellaneous	214,041	11,376	13,569	605	5,374	244,965	301,093
Total operating receipts	<u>3,063,723</u>	<u>2,114,107</u>	<u>4,812,907</u>	<u>454,679</u>	<u>420,965</u>	<u>10,866,381</u>	<u>1,200,475</u>
Operating disbursements:							
Business type activities:	<u>2,126,053</u>	<u>1,457,502</u>	<u>4,093,470</u>	<u>433,977</u>	<u>151,915</u>	<u>8,262,917</u>	<u>1,428,298</u>
Excess of operating receipts over operating disbursements	<u>937,670</u>	<u>656,605</u>	<u>719,437</u>	<u>20,702</u>	<u>269,050</u>	<u>2,603,464</u>	<u>(227,823)</u>
Non-operating receipts (disbursements)							
Intergovernmental	-	5,596,127	-	-	239,255	5,835,382	-
Capital projects	(2,928,128)	(5,347,040)	-	-	(632,091)	(8,907,259)	-
Interest income	10,180	5,075	2,178	494	602	18,529	2,239
Debt service	(551,239)	(1,410,861)	(11,392)	-	(123,693)	(2,097,185)	-
Capital improvements	-	-	(183,112)	-	-	(183,112)	-
Net non-operating receipts (disbursements)	<u>(3,469,187)</u>	<u>(1,156,699)</u>	<u>(192,326)</u>	<u>494</u>	<u>(515,927)</u>	<u>(5,333,645)</u>	<u>2,239</u>
Excess (deficiency) of receipts over disbursements	<u>(2,531,517)</u>	<u>(500,094)</u>	<u>527,111</u>	<u>21,196</u>	<u>(246,877)</u>	<u>(2,730,181)</u>	<u>(225,584)</u>
Other financing sources (uses)							
Operating transfers in	372,020	66,038	529,595	-	35,500	1,003,153	-
Operating transfers out	<u>(262,119)</u>	<u>(597,399)</u>	<u>(1,093,138)</u>	<u>-</u>	<u>(21,465)</u>	<u>(1,974,121)</u>	<u>-</u>
Total other financing sources (uses)	<u>109,901</u>	<u>(531,361)</u>	<u>(563,543)</u>	<u>-</u>	<u>14,035</u>	<u>(970,968)</u>	<u>-</u>
Change in cash balances	(2,421,616)	(1,031,455)	(36,432)	21,196	(232,842)	(3,701,149)	(225,584)
Cash balances beginning of year	<u>5,749,292</u>	<u>2,272,986</u>	<u>883,728</u>	<u>287,244</u>	<u>422,608</u>	<u>9,615,858</u>	<u>1,227,395</u>
Cash balances end of year	<u>\$ 3,327,676</u>	<u>\$ 1,241,531</u>	<u>\$ 847,296</u>	<u>\$ 308,440</u>	<u>\$ 189,766</u>	<u>\$ 5,914,709</u>	<u>\$ 1,001,811</u>
Cash Basis Fund Balances							
Restricted for revenue bond retirement	\$ 255,016	\$ 747,192	\$ -	\$ -	\$ 139,952	\$ 1,142,160	\$ -
Unrestricted	<u>3,072,660</u>	<u>494,339</u>	<u>847,296</u>	<u>308,440</u>	<u>49,814</u>	<u>4,772,549</u>	<u>1,001,811</u>
Total cash basis fund balances	<u>\$ 3,327,676</u>	<u>\$ 1,241,531</u>	<u>\$ 847,296</u>	<u>\$ 308,440</u>	<u>\$ 189,766</u>	<u>\$ 5,914,709</u>	<u>\$ 1,001,811</u>

See Notes to Financial Statements.

CITY OF STORM LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - FIDUCIARY FUND  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Exhibit E

	<u>Pension Trust</u>
	<u>Police/Fire</u>
Additions:	
Transfers in	\$ 302,810
Deductions:	
Public safety	<u>302,810</u>
Change in cash balances	-
Cash balance, beginning of year	<u>-</u>
Cash balance, end of year	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies

The City of Storm Lake is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, storm water, and landfill utilities for its citizens and owns and operates a hotel and indoor water park.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City has no component units which meet the Governmental Accounting Standard Board criteria.

Jointly Governed Organizations -The City participates in a jointly governed organization agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within Buena Vista County and member cities.

The City's ongoing financial interest in the jointly governed organization consists of the operation of the landfill and other solid waste collection and disposal operations. The City collects landfill fees as a part of its regular utility billings. The Commission then bills the City quarterly for its operations. This fee is computed for each municipality on a per capita basis. For the year ended June 30, 2015, this fee totaled \$371,000.

Copies of the Commission's financial statements are available from the City Clerk at the City of Alta, 223 Main Street, Alta, IA 51002 or from the State Auditor's Office.

The City participates in a jointly governed organization agreement with the Lake Improvements Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The financial information for the Commission is reflected as an agency fund in these financial statements. The purpose of the Commission is to finance and effect a continued dredging of Storm Lake.

Copies of the Commission's financial statements are available from the City Clerk at City of Storm Lake, P.O. Box 1086, 620 Erie Street, Storm Lake, IA 50588 or from the State Auditor's Office.

The City also participates in several jointly governed organizations for which the City is not financially accountable, or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Emergency Management Commission, Buena Vista County Communications Commission, Joint E911 Service Board, Region V Drug Task Force, Storm Lake United, Buena Vista County Foundation, Community Education, and Storm Lake Cemetery.



CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for capital improvements, equipment, and community programs and services.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue:

The Special Levy Fund is used to account for property tax levied to finance the payment of employee benefits.

The Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used for transfers to other funds to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal development projects.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Wastewater Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The King's Pointe Fund is used to account for the operation of a hotel facility and indoor water park.

The Landfill Fund is used to account for the City's share of the operation and maintenance of the landfill.

The Storm Water Fund is used to account for the operation and maintenance of the City's storm water system.

Additionally, the City also reports the following funds:

Proprietary Fund - The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Fund – Account for assets held by the City in a trustee or agency capacity for the benefit of others. Fiduciary funds account for assets held by the City under the terms of a formal trust agreement and which cannot be used to support City activities.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's Enterprise Funds is charges to customers for sales and services. Operating disbursements for Enterprise Funds include the cost of sales and services, and administrative disbursements. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies - (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

G. Subsequent Events

The City has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Special Levy	\$ 81,336
	Local Option Sales Tax	3,895
	Enterprise:	
	Water	44,089
	Sewer	42,939
		<u>172,259</u>

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

3. Interfund Transfers - (Continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 140,958
	Special Revenue:	
	Local Option Sales Tax	410,911
	Tax increment financing	279,027
	Enterprise:	
	Water	1,450
	Sewer	1,850
	King's Pointe	858,138
		<u>1,692,334</u>
Capital Projects	General	639,808
	Special Revenue:	
	Road Use Tax	424,322
	Local Option Sales Tax	595,605
	Enterprise:	
	Water	26,000
	Sewer	2,000
	Storm Water	21,465
		<u>1,709,200</u>
Special Revenue:		
Road Use Tax	General	16,724
Local Option Sales Tax	Enterprise:	
	King's Pointe	235,000
Tax increment financing	Special Revenue:	
	Road Use Tax	50,000
	Enterprise:	
	Water	176,929
	Sewer	192,861
		<u>419,790</u>
Enterprise:	Enterprise:	
Water	Sewer	357,749
	Special Revenue:	
	Tax increment financing	14,271
		<u>372,020</u>
Sewer	Enterprise:	
	Water	13,652
	Special Revenue:	
	Tax increment financing	52,386
		<u>66,038</u>

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

3. Interfund Transfers - (Continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise:	Enterprise:	
Storm Water	General	\$ 35,500
King's Pointe	Special Revenue:	
	Local Option Sales Tax	352,169
	Tax increment financing	<u>177,426</u>
		<u>529,595</u>
Pension Trust:	Special Revenue:	
Police/Fire	Special Levy	302,810

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds/notes and revenue bonds at June 30, 2015 are as follows:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	General Obligation					
	<u>Bonds/Notes</u>		<u>Revenue Bonds/Notes</u>		<u>Total</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 905,000	\$ 795,496	\$ 801,000	\$ 416,975	\$ 1,706,000	\$ 1,212,471
2017	1,155,000	772,933	820,000	399,535	1,975,000	1,172,468
2018	1,285,000	747,361	834,000	380,654	2,119,000	1,128,015
2019	1,175,000	716,554	859,000	360,669	2,034,000	1,077,223
2020	1,210,000	685,952	879,000	339,409	2,089,000	1,025,361
2021-2025	6,785,000	2,850,462	4,468,000	1,328,900	11,253,000	4,179,362
2026-2030	4,340,000	1,387,635	3,655,000	722,183	7,995,000	2,109,818
2031-2035	<u>3,815,000</u>	<u>397,416</u>	<u>2,215,000</u>	<u>145,060</u>	<u>6,030,000</u>	<u>542,476</u>
Totals	\$20,670,000	\$8,353,809	\$ 14,531,000	\$ 4,093,385	\$35,201,000	\$ 12,447,194

General Obligation Bonds/Notes

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year. General obligation bond debt service related to the \$3,545,000 refunding bond issue in 2015 and the \$2,700,000 bond issue in 2011 are subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

4. Bonds and Notes Payable – (continued)

Details of general obligation bonds/notes payable at June 30, 2015 are as follows:

	Year of <u>Issue</u>	Interest <u>Rates</u>	Amount Originally <u>Issued</u>	Year of <u>Maturity</u>	Annual Principal <u>Payments</u>	Outstanding <u>Balance</u>
Urban renewal	2007	5.45% - 5.65%	2,945,000	2027	5,000 - 100,000 <sup>1</sup>	\$ 1,355,000
Capital loan notes	2010	2.00% - 6.10%	2,500,000	2029	40,000 - 200,000	2,060,000
Urban renewal	2011	2.00% - 4.20%	2,700,000	2031	110,000 - 185,000 <sup>2</sup>	2,700,000
Urban renewal	2012	1.00% - 2.20%	3,825,000	2025	350,000 - 425,000	3,825,000
Capital loan notes	2015	2.25% - 4.00%	6,890,000	2035	225,000 - 645,000	6,890,000
Urban renewal	2015	2.00% - 4.25%	3,545,000	2026	280,000 - 350,000 <sup>3</sup>	3,545,000
Capital loan notes	2013	1.00% - 2.00%	480,000	2018	90,000 - 100,000	295,000
Total						<u>\$20,670,000</u>

General Obligation Advanced Refunding Notes

In February 2012 the City issued \$3,825,000 of general obligation refunding notes to advance refund the 2005 general obligation bonds under a crossover refunding arrangement. The proceeds of the 2012 refunding notes were placed in an irrevocable trust fund to provide for the future debt service of the 2005 notes. Interest on the 2012 refunding notes were paid from the escrow account through June 1, 2015, on which date the 2005 notes were called for redemption and also paid from the escrow account. As a result of the advance refunding, the City achieved a debt service savings of \$206,045.

In May 2015 the City issued \$6,890,000 of general obligation refunding notes to refund the 2006 general obligation bonds and advance refund \$1,500,000 of the \$2,945,000 general obligation bonds dated June 1, 2007. A portion of the proceeds of the refunding notes were used to pay the principal and interest remaining on the 2006 general obligation bond when they became callable on June 1, 2015. The remaining proceeds were placed in an escrow account for the express purpose of paying the principal and interest on the refund general obligation bonds dated June 1, 2007. As a result, this portion of the 2007 bonds is considered defeased. The refunded general obligation bonds are callable on June 1, 2016. As a result of the refunding, the City achieved a debt service savings of \$754,200.

Revenue Bonds/Notes

The City issues bonds/notes where the government pledges income derived from the required or constructed assets to pay debt service. Details of revenue bonds/notes payable at June 30, 2015 are as follows:

	Year of <u>Issue</u>	Interest <u>Rates</u>	Amount Originally <u>Issued</u>	Year of <u>Maturity</u>	Annual Principal <u>Payments</u>	Outstanding <u>Balance</u>
Water revenue	2003	1.75%	\$7,500,000	2024	\$324,000 - \$490,000	\$ 3,925,000
Storm water revenue	2006	3.00%	729,000	2027	29,000 - 48,000	488,000
Wastewater revenue	2007	3.00%	660,000	2027	25,000 - 44,000	443,000
Water capital loan note	2011	4.40% - 5.00%	200,000	2031	5,000 - 15,000	185,000
Sewer capital loan note	2011	3.00% - 5.00%	680,000	2031	25,000 - 50,000	605,000
Storm water revenue	2013	1.00% - 3.50%	1,100,000	2033	30,000 - 75,000	1,025,000
Sewer capital loan note	2013	0.80% - 3.25%	6,035,000	2033	250,000 - 370,000	5,520,000
Water capital loan note	2013	3.00% - 3.25%	2,340,000	2033	230,000 - 295,000	2,340,000
Total						<u>\$14,531,000</u>

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

4. Bonds and Notes Payable – (continued)

Revenue Bonds/Notes – (Continued)

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$7,500,000, \$200,000 and \$2,340,000 in water revenue notes issued in August 2003, August 2011 and April 2013 respectively. Proceeds from the notes provided financing for the construction of improvements to the water system. The notes are payable solely from water customer net revenues and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$8,255,716. For the current year, principal and interest paid and total customer net receipts were \$538,389 and \$937,670 respectively.

The City has pledged future wastewater customer receipts, net of specified operating disbursements, to repay \$660,000, \$680,000 and \$6,035,000 in wastewater revenue notes issued in April 2007, August 2011 and May 2013 respectively. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$8,500,170. For the current year, principal and interest paid and total customer net revenues were \$1,407,329 and \$656,605 respectively.

The City has pledged future storm water customer receipts, net of specified operating disbursements, to repay \$729,000 and \$1,100,000 in storm water revenue notes issued in October 2006 and May 2013. Proceeds from the notes provided financing for the construction of improvements to the storm water system. The notes are payable solely from storm water customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,935,485. For the current year, principal and interest paid and total customer net revenues were \$120,790 and \$269,050 respectively.

The resolutions providing for the issuance of revenue notes include the following provisions:

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to separate revenue note sinking and reserve accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- C. The City is to establish user rates at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

5. Pension Plans

Iowa Public Employees Retirement System

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).



CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans – (Continued)

Iowa Public Employees Retirement System - (Continued)

Plan Description – (Continued)

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans

Iowa Public Employees Retirement System - (Continued)

Contributions – (Continued)

The City's contributions to IPERS for the year ended June 30, 2015 were \$208,067.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$1,288,463. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0324885 percent, which was an increase of 0.0056537 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$71,805, \$99,280 and \$516,257 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2012)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership program.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans - (Continued)

Iowa Public Employees Retirement System - (Continued)

Actuarial Assumptions – (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	<u>1%</u>	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
City's proportionate share of the net pension liability	2,484,788	1,288,463	278,692

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans - (Continued)

Municipal Fire and Police Retirement System

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of Sample GAAP City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans - (Continued)

Municipal Fire and Police Retirement System – (Continued)

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$302,810.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$1,357,547 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .003745% which was no change from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City pension expense totaled \$112,678. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources totaled \$100,336, \$641,987 respectively.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans - (Continued)

Municipal Fire and Police Retirement System – (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2012)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.50 to 15.11 percent, average, including inflation. Rates vary by membership program.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
Core Investments	<u>40.0%</u>	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	<u>5.0</u>	6.8
Real Estate	<u>10.0</u>	
Total	<u>100.0%</u>	

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Pension Plans - (Continued)

Municipal Fire and Police Retirement System – (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	2,602,988	1,357,547	322,698

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

ICMA Retirement Plan

The Public Safety Director, City Administrator, and City Community Development Director are covered under the nationwide retirement plan offered by the International City Manager's Association (ICMA). Contributions required by the employer are 12% of the annual salary for the Public Safety Director, \$2,000 per year for the City Community Development Director, and an annual salary determined on a calendar year basis for the City Administrator - \$10,700 for calendar year 2014 and \$11,950 for calendar year 2015.

The City's responsibility is limited to payment of contributions required by established rates. The employer's contribution paid by the City for the year ended June 30, 2015 totaled \$23,683.

6. Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their eligible dependents. There are 66 active members and one retired member in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

6. Other Postemployment Benefits (OPEB) (Continued)

Plan Description – (Continued)

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 18,851
Interest on net OPEB obligation	3,412
Adjustment to annual required contribution	<u>(4,654)</u>
Annual OPEB cost	17,609
Contributions made	<u>-</u>
Increase in net OPEB obligation	17,609
Net OPEB obligation - beginning of year	<u>75,812</u>
Net OPEB obligation - end of year	<u>\$ 93,421</u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The required contribution is based on projected pay-as-you-go financing. Retiree and active members receiving benefits have required contributions of \$471.16 per month for single health coverage and \$1,173.12 per month for retiree and spouse coverage.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 18,188	3.90%	\$ 57,910
2014	\$ 17,902	0.00%	\$ 75,812
2015	\$ 17,609	0.00%	\$ 93,421



CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

6. Other Postemployment Benefits (OPEB) – (Continued)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$124,528, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$124,528. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,775,000 and the ratio of the UAAL to covered payroll was 3.30%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Other Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* – Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – Life expectancies were based on the 2004 United States Life Tables.

*Turnover* – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – A rate of 7 percent initially, reduced to an ultimate rate of 5.0 percent after three years, was used for the expected rate of increase in healthcare insurance premiums.

*Health insurance premiums* – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

7. Commitments

The City has entered into construction contracts totaling approximately \$29,769,996 for street, water, sewer, and storm water utility improvement projects. As of June 30, 2015, costs of approximately \$23,025,653 have been incurred on the projects. The remaining \$6,744,343 will be paid as work on the projects progresses.

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

7. Commitments – (Continued)

The City has entered into an agreement for the management of the airport for the year ending June 30, 2015 for \$4,895 per month.

The City has entered into a Facility Management Agreement with Kinseth Hotel Corporation (Kinseth) to manage the King's Pointe Waterpark Resort through June 30, 2015, with annual one-year renewals thereafter. A base management fee will be paid at \$4,000 per month for five months of operation (July through September and May through June of the following calendar year).

The City has also entered into a Management Agreement with Kinseth to manage the King's Pointe Resort through June 30, 2015, with annual renewals thereafter. A management fee will be paid at three percent of each month's gross revenues and twelve percent of the improvement in net available cash at each fiscal year end compared to the prior fiscal year end.

The City entered into a Management Agreement with Kinseth Hotel Corporation (Kinseth) to manage the Sunrise Pointe golf course through June 30, 2015, with annual renewals thereafter. A base management fee will be paid at \$1,750 per month.

8. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Effective August 1, 1983, the City adopted a plan of self-insurance for employee's health benefits. Deposits are made to the Employee Health Benefit Fund, an internal service fund of the City, to pay employee claims. An excess coverage insurance policy covers individual claims over \$25,000, or total group claims exceeding 125% of expected claims.

An actuarial study of the adequacy of reserves, rates, and financial condition of the Employee Health Benefit Fund was performed for the plan year January 1, 2014 to December 31, 2014. The study included census of covered members as of December 31, 2014, a summary of aggregate and specific excess loss reinsurance coverage, monthly claim expense information, a summary of revenue and expenses and review of the plan document summary description.

Following is a financial analysis of the plan for the year ended December 31, 2014. Included in this analysis is an estimate of the amount needed at the end of the plan year for incurred but not paid claims.

Funds on hand - January 1, 2014	\$ 986,866
Contributions received	825,489
Interest earned	<u>1,490</u>
	1,813,845
Claims paid	<u>394,662</u>
Aggregate stop-loss premiums and other charges	<u>245,329</u>
	639,991
Funds on hand - December 31, 2014	1,173,854
Reserved for estimated incurred but unpaid claims	<u>59,199</u>
	<u>\$1,114,655</u>

CITY OF STORM LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

9. Compensated Absences

City Employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximated liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund is as follows:

Vacation	\$ 205,445
Sick Leave	<u>258,459</u>
Total	<u>\$ 463,904</u>

10. Deferred Compensation

The City offers its employees deferred compensation plans as allowed by the Internal Revenue Code Section 457. City employees are allowed to defer a portion of the current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

The City has adopted GASB Statement 32 and does not report the assets of the plans on its balance sheet.

11. Conduit Debt Obligations

To provide for the construction of additions to the library, dormitories, and a recreation facility at Buena Vista University, the City has issued a series of Higher Education Facilities Revenue Bonds. In addition, the City issued Elderly Housing Revenue Bonds for the construction of dietary and maintenance facilities and an addition of a 38-unit independent living facility at Methodist Manor Retirement Community. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received by the university and the care facility. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

A summary of conduit debt obligations is as follows:

	Originally <u>Issued</u>	Date of <u>Issue</u>	Balance Outstanding <u>June 30, 2015</u>
Higher Education Facilities Revenue Bonds	\$ 7,630,000	5/24/2000	\$ 1,025,000
Elderly Housing Revenue Bonds	4,565,000	6/1/2007	3,660,000
Elderly Housing Revenue Bonds	4,950,000	10/17/2011	4,385,000

12. Litigation

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. City officials believe the outcome of these matters will not have a material adverse effect on the City's financial statements.

13. Deficit Fund Balances

The Special Revenue – Special Levy and Tax Increment Financing funds had deficit cash balances of \$8,902 and \$30,191, respectively, at June 30, 2015. The deficit balance in the Special Levy fund will be eliminated through future property tax collections or transfers from other funds. The deficit fund balance in the TIF fund is a result of unpaid taxes in the TIF area and capital expenses in the new TIF area and will likely be eliminated through future TIF collections.

## OTHER INFORMATION

CITY OF STORM LAKE  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 3,814,004	\$ -	\$ 3,814,004	\$ 3,698,697	\$ 3,698,697	\$ 115,307
Tax increment financing	728,556	-	728,556	677,061	997,111	(268,555)
Other city tax	2,042,772	-	2,042,772	1,506,198	1,551,557	491,215
Licenses and permits	298,421	-	298,421	581,200	676,800	(378,379)
Use of money and property	147,828	18,529	166,357	152,018	154,018	12,339
Intergovernmental	1,756,176	5,835,382	7,591,558	7,538,918	8,662,561	(1,071,003)
Charges for service	1,808,585	10,621,416	12,430,001	12,419,223	12,965,028	(535,027)
Miscellaneous	281,220	244,965	526,185	905,800	1,247,536	(721,351)
Total receipts	10,877,562	16,720,292	27,597,854	27,479,115	29,953,308	(2,355,454)
Disbursements:						
Public safety	2,452,789	-	2,452,789	2,864,993	2,864,993	412,204
Public works	1,246,828	-	1,246,828	1,268,025	1,346,725	99,897
Health and social services	8,331	-	8,331	10,500	10,500	2,169
Culture and recreation	1,633,577	-	1,633,577	1,679,413	1,766,618	133,041
Community and economic development	883,654	-	883,654	633,611	1,140,611	256,957
General government	495,112	-	495,112	423,308	542,753	47,641
Debt service	5,563,604	-	5,563,604	1,979,462	5,536,637	(26,967)
Capital projects	1,521,245	-	1,521,245	2,229,380	3,731,695	2,210,450
Business type activities	-	19,450,473	19,450,473	18,864,227	23,382,515	3,932,042
Total disbursements	13,805,140	19,450,473	33,255,613	29,952,919	40,323,047	7,067,434
Deficiency of receipts over disbursments	(2,927,578)	(2,730,181)	(5,657,759)	(2,473,804)	(10,369,739)	4,711,980
Other financing sources, net	4,237,533	(970,968)	3,266,565	602,028	4,078,863	(812,298)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,309,955	(3,701,149)	(2,391,194)	(1,871,776)	(6,290,876)	3,899,682
Balance, beginning of year	4,529,143	9,615,858	14,145,001	15,178,698	15,178,698	(1,033,697)
Balance, end of year	\$ 5,839,098	\$ 5,914,709	\$ 11,753,807	\$ 13,306,922	\$ 8,887,822	\$ 2,865,985

CITY OF STORM LAKE  
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2015

The budgetary comparison is presented as in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2015 the budget was amended three times which increased budgeted disbursements by \$10,370,128. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements in the debt service functions exceeded the amount budgeted.

CITY OF STORM LAKE  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST FISCAL YEAR\*  
OTHER INFORMATION  
JUNE 30, 2015

Iowa Public Employees' Retirement System

	<u>2015</u>
City's proportion of the net pension liability	0.0324885%
City's proportionate share of the net pension liability	\$ 1,288,463
City's covered-employee payroll	\$ 2,224,037
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.93%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Municipal Fire and Police Retirement System of Iowa

	<u>2015</u>
City's proportion of the net pension liability	0.003745%
City's proportionate share of the net pension liability	\$ 1,357,547
City's covered-employee payroll	\$ 956,354
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.95%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF STORM LAKE  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST FOUR FISCAL YEARS  
OTHER INFORMATION  
JUNE 30, 2015

Iowa Public Employees' Retirement System

	2015	2014	2013	2012
Statutorily required contributions	\$ 208,067	\$ 199,453	\$ 158,080	\$ 140,802
Contributions in relation to the statutorily required contribution	<u>(208,067)</u>	<u>(199,453)</u>	<u>(158,080)</u>	<u>(140,802)</u>
Contribution of deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$2,318,383	\$2,224,037	\$1,812,388	\$1,733,077
Contributions as a percentage of covered-employee payroll	8.97%	8.97%	8.72%	8.12%

Municipal Fire and Police Retirement System of Iowa

	2015	2014	2013	2012
Statutorily required contributions	\$ 302,810	\$ 288,053	\$ 244,928	\$ 221,534
Contributions in relation to the statutorily required contribution	<u>(302,810)</u>	<u>(288,053)</u>	<u>(244,928)</u>	<u>(221,534)</u>
Contribution of deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 995,758	\$ 956,351	\$ 937,704	\$ 894,726
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.



CITY OF STORM LAKE  
NOTES TO OTHER INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Iowa Public Employees' Retirement System

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period in the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF STORM LAKE  
NOTES TO OTHER INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Municipal Fire and Police Retirement System of Iowa

Changes of Benefit Terms

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

CITY OF STORM LAKE  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
OTHER INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	July 1, 2009	-	\$ 85,000	\$ 85,000	0.00%	\$2,250,000	3.80%
2011	July 1, 2009	-	\$ 85,000	\$ 85,000	0.00%	\$2,863,000	3.00%
2012	July 1, 2009	-	\$ 85,000	\$ 85,000	0.00%	\$3,067,000	2.77%
2013	July 1, 2012	-	\$124,528	\$ 124,528	0.00%	\$2,568,545	4.85%
2014	July 1, 2012	-	\$124,528	\$ 124,528	0.00%	\$3,655,802	3.41%
2015	July 1, 2012	-	\$124,528	\$ 124,528	0.00%	\$3,775,219	3.30%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

Schedule 1

	<u>Special Revenue</u>					<u>Permanent</u>	
	<u>Tort</u>	<u>Crime</u>		<u>Expendable</u>	<u>Law</u>	<u>Emma</u>	
	<u>Insurance</u>	<u>Prevention</u>	<u>Library</u>	<u>Gift</u>	<u>Enforcement</u>	<u>Meyers Trust</u>	<u>Total</u>
Receipts:							
Property tax	\$ 69,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,497
Other city tax	2,546	-	-	-	-	-	2,546
Use of money and property	321	53	212	-	107	-	693
Intergovernmental	-	-	3,144	-	-	-	3,144
Charges for services	-	-	429	-	-	-	429
Miscellaneous	6,686	2,459	2,762	-	33,981	-	45,888
Total receipts	79,050	2,512	6,547	-	34,088	-	122,197
Disbursements:							
Operating:							
Public Safety	-	4,157	-	-	73,539	-	77,696
Culture and recreation	-	-	1,196	-	-	-	1,196
General government	164,579	-	-	-	-	-	164,579
Total disbursements	164,579	4,157	1,196	-	73,539	-	243,471
Net change in cash balances	(85,529)	(1,645)	5,351	-	(39,451)	-	(121,274)
Cash balances beginning of year	158,549	27,659	112,963	2,983	94,854	2,714	399,722
Cash balances end of year	\$ 73,020	\$ 26,014	\$ 118,314	\$ 2,983	\$ 55,403	\$ 2,714	\$ 278,448
Cash Basis Fund Balances							
Nonspendable - Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,714	\$ 2,714
Restricted for:							
Other purposes	73,020	26,014	118,314	2,983	55,403	-	275,734
Total cash basis fund balances	\$ 73,020	\$ 26,014	\$ 118,314	\$ 2,983	\$ 55,403	\$ 2,714	\$ 278,448

See accompanying independent auditor's report.

CITY OF STORM LAKE  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2015

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance, Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance, End of Year</u>	<u>Interest Paid</u>
General obligation bonds and capital loan notes:								
General obligation bonds, Series 2005	June 1, 2005	3.75%-4.25%	\$ 5,600,000	\$ 3,885,000	\$ -	\$ 3,885,000	\$ -	\$ 157,720
General obligation urban renewal bonds	January 1, 2006	5.25%-5.70%	6,000,000	5,380,000	-	5,380,000	-	300,620
General obligation annual appropriation bonds	September 1, 2006	4.00%-4.75%	5,400,000	3,725,000	-	3,725,000	-	165,943
General obligation urban renewal bonds, Series 2007	June 1, 2007	5.45%-5.65%	2,945,000	2,900,000	-	1,545,000	1,355,000	162,603
General obligation capital loan notes, Series 2010	February 1, 2010	3.70%-6.10%	2,500,000	2,165,000	-	105,000	2,060,000	112,640
General obligation annual appropriation urban renewal bonds, Series 2011	July 1, 2011	2.00%-4.20%	2,700,000	2,700,000	-	-	2,700,000	99,580
General obligation urban renewal refunding bonds, Series 2012C	February 21, 2012	1.00%-2.20%	3,825,000	3,825,000	-	-	3,825,000	64,548
General obligation capital loan notes, Series 2012	December 28, 2012	1.00%-2.00%	480,000	390,000	-	95,000	295,000	5,900
General obligation urban renewal refunding capital loan notes, Series 2015A	May 20, 2015	2.25%-4.00%	6,890,000	-	6,890,000	-	6,890,000	-
General obligation urban renewal refunding capital loan notes, Series 2015B	June 5, 2015	2.00%-4.25%	3,545,000	-	3,545,000	-	3,545,000	-
				<u>\$ 24,970,000</u>	<u>\$ 10,435,000</u>	<u>\$ 14,735,000</u>	<u>\$ 20,670,000</u>	<u>\$ 1,069,554</u>
Revenue notes:								
Water	August 5, 2003	1.75%	\$ 7,500,000	\$ 4,300,000	\$ -	\$ 375,000	\$ 3,925,000	\$ 75,250
Storm Water	October 5, 2006	3.00%	729,000	521,000	-	33,000	488,000	15,630
Sewer	April 5, 2007	3.00%	660,000	473,000	-	30,000	443,000	14,190
Sewer	March 1, 2010	2.00%	900,000	900,000	-	900,000	-	9,000
Water capital loan notes, Series 2011	August 1, 2011	4.40%-5.00%	200,000	190,000	-	5,000	185,000	8,870
Sewer capital loan notes, Series 2011	August 1, 2011	3.00%-5.00%	680,000	630,000	-	25,000	605,000	27,025
Water capital loan notes, Series 2013A	April 2, 2013	3.00%-3.25%	2,340,000	2,340,000	-	-	2,340,000	137,114
Sewer capital loan notes, Series 2013B	May 1, 2013	.80%-3.25%	6,035,000	5,785,000	-	265,000	5,520,000	74,269
Storm Water, Series 2013C	May 28, 2013	1.00%-3.50%	1,100,000	1,070,000	-	45,000	1,025,000	27,160
				<u>\$ 16,209,000</u>	<u>\$ -</u>	<u>\$ 1,678,000</u>	<u>\$ 14,531,000</u>	<u>\$ 388,508</u>

See accompanying independent auditor's report.

CITY OF STORM LAKE  
BOND AND NOTE MATURITIES  
JUNE 30, 2015

Schedule 3

General Obligation Bonds/Notes

Year	Issued June 1, 2007		Issued February 1, 2010		Issued July 1, 2011		Issued February 21, 2012		Issued December 28, 2012		Issued May 20, 2015		Issued June 5, 2015		
Ending	Interest		Interest		Interest		Interest		Interest		Interest		Interest		
June 30	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2016	5.45%	\$ 45,000	3.7%	\$ 110,000	2.00%	\$ -	1.00%	\$ 375,000	1.00%	\$ 95,000	2.25%	\$ -	2.00%	\$ 280,000	\$ 905,000
2017	5.50	50,000	4.00	110,000	2.00	-	1.10	385,000	2.00	100,000	2.25	225,000	2.50	285,000	1,155,000
2018	5.50	55,000	4.30	115,000	2.00	110,000	1.25	390,000	2.00	100,000	2.25	225,000	3.00	290,000	1,285,000
2019	5.50	60,000	4.70	120,000	2.25	115,000	1.40	350,000	-	-	2.25	230,000	3.00	300,000	1,175,000
2020	5.55	65,000	5.00	130,000	2.50	120,000	1.60	350,000	-	-	2.50	235,000	3.00	310,000	1,210,000
2021	5.55	70,000	5.10	135,000	2.75	125,000	2.00	350,000	-	-	2.50	240,000	3.25	315,000	1,235,000
2022	5.55	75,000	5.20	140,000	3.00	130,000	2.00	375,000	-	-	2.50	250,000	3.50	330,000	1,300,000
2023	5.60	85,000	5.35	145,000	3.25	135,000	2.05	400,000	-	-	2.63	255,000	3.75	340,000	1,360,000
2024	5.60	90,000	5.50	155,000	3.50	140,000	2.15	425,000	-	-	2.88	260,000	4.00	350,000	1,420,000
2025	5.60	100,000	5.65	160,000	3.75	150,000	2.20	425,000	-	-	3.00	270,000	4.00	365,000	1,470,000
2026	5.60	320,000	5.80	170,000	4.00	155,000	-	-	-	-	3.13	280,000	4.25	380,000	1,305,000
2027	5.65	340,000	5.90	180,000	4.05	160,000	-	-	-	-	3.13	290,000	-	-	970,000
2028	-	-	6.00	190,000	4.10	170,000	-	-	-	-	3.50	300,000	-	-	660,000
2029	-	-	6.10	200,000	4.15	175,000	-	-	-	-	3.50	310,000	-	-	685,000
2030	-	-	-	-	4.15	185,000	-	-	-	-	3.75	535,000	-	-	720,000
2031	-	-	-	-	4.20	830,000	-	-	-	-	3.75	550,000	-	-	1,380,000
2032	-	-	-	-	-	-	-	-	-	-	3.88	575,000	-	-	575,000
2033	-	-	-	-	-	-	-	-	-	-	3.88	595,000	-	-	595,000
2034	-	-	-	-	-	-	-	-	-	-	4.00	620,000	-	-	620,000
2035	-	-	-	-	-	-	-	-	-	-	4.00	645,000	-	-	645,000
		<u>\$ 1,355,000</u>		<u>\$ 2,060,000</u>		<u>\$ 2,700,000</u>		<u>\$ 3,825,000</u>		<u>\$ 295,000</u>		<u>\$ 6,890,000</u>		<u>\$ 3,545,000</u>	<u>\$20,670,000</u>

See accompanying independent auditor's report.

CITY OF STORM LAKE  
BOND AND NOTE MATURITIES  
JUNE 30, 2015

Schedule 3  
(Continued)

	Revenue Notes																
Year	Issued August 5, 2003		Issued October 5, 2006		Issued April 5, 2007		Issued August 1, 2011		Issued August 1, 2011		Issued April 2, 2013		Issued May 1, 2013		Issued May 28, 2013		
Ending	Interest		Interest		Interest		Interest		Interest		Interest		Interest		Interest		
June 30	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2016	1.75%	\$ 386,000	3.00%	\$ 34,000	3.00%	\$ 31,000	4.40%	\$ 10,000	3.00%	\$ 30,000	3.000%	\$ -	0.8%	\$ 265,000	1.00%	\$ 45,000	\$ 801,000
2017	1.75	398,000	3.00	35,000	3.00	32,000	4.40	10,000	3.00	30,000	3.000	-	1.08	270,000	1.50	45,000	820,000
2018	1.75	410,000	3.00	36,000	3.00	33,000	4.40	10,000	3.75	30,000	3.000	-	1.25	270,000	1.50	45,000	834,000
2019	1.75	422,000	3.00	38,000	3.00	34,000	4.40	10,000	3.75	30,000	3.000	-	1.50	275,000	1.50	50,000	859,000
2020	1.75	435,000	3.00	39,000	3.00	35,000	4.40	10,000	3.75	30,000	3.000	-	1.75	280,000	2.00	50,000	879,000
2021	1.75	448,000	3.00	40,000	3.00	36,000	4.40	10,000	3.75	35,000	3.000	-	2.00	280,000	2.00	50,000	899,000
2022	1.75	461,000	3.00	41,000	3.00	37,000	4.40	10,000	4.25	35,000	3.000	-	2.20	285,000	2.30	50,000	919,000
2023	1.75	475,000	3.00	42,000	3.00	38,000	4.40	10,000	4.25	35,000	3.000	-	2.35	295,000	2.30	55,000	950,000
2024	1.75	490,000	3.00	44,000	3.00	40,000	4.40	10,000	4.25	35,000	3.000	-	2.50	300,000	2.60	55,000	974,000
2025	-	-	3.00	45,000	3.00	41,000	4.40	10,000	4.75	40,000	3.000	230,000	2.65	305,000	2.60	55,000	726,000
2026	-	-	3.00	46,000	3.00	42,000	5.00	10,000	4.75	40,000	3.000	235,000	2.85	310,000	2.90	60,000	743,000
2027	-	-	3.00	48,000	3.00	44,000	5.00	15,000	4.75	45,000	3.125	245,000	3.00	315,000	2.90	60,000	772,000
2028	-	-	-	-	-	-	5.00	15,000	4.75	45,000	3.125	250,000	3.05	320,000	3.10	60,000	690,000
2029	-	-	-	-	-	-	5.00	15,000	5.00	45,000	3.250	260,000	3.05	330,000	3.10	65,000	715,000
2030	-	-	-	-	-	-	5.00	15,000	5.00	50,000	3.250	265,000	3.15	340,000	3.30	65,000	735,000
2031	-	-	-	-	-	-	5.00	15,000	5.00	50,000	3.250	275,000	3.15	350,000	3.30	70,000	760,000
2032	-	-	-	-	-	-	-	-	-	-	3.250	285,000	3.25	360,000	3.50	70,000	715,000
2033	-	-	-	-	-	-	-	-	-	-	3.250	295,000	3.25	370,000	3.50	75,000	740,000
		\$ 3,925,000		\$ 488,000		\$ 443,000		\$ 185,000		\$ 605,000		\$ 2,340,000		\$ 5,520,000		\$ 1,025,000	\$14,531,000

See accompanying independent auditor's report.



CITY OF STORM LAKE  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION –  
ALL GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

Schedule 4

	<u>2015</u>
Receipts:	
Property tax	\$ 3,814,004
Tax increment financing	728,556
Other city tax	2,042,772
Licenses and permits	298,421
Use of money and property	147,828
Intergovernmental	1,756,176
Charges for service	1,808,585
Miscellaneous	281,220
Total	<u>\$10,877,562</u>
Disbursements:	
Operating:	
Public safety	\$ 2,452,789
Public works	1,246,828
Health and social services	8,331
Culture and recreation	1,633,577
Community and economic development	883,654
General government	495,112
Debt service	5,563,604
Capital projects	1,521,245
Total	<u>\$13,805,140</u>

See accompanying independent auditor's report.

CITY OF STORM LAKE  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
AGENCY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Schedule 5

	Lake Improvements Commission	Drainage	Gingerbread House	Total
Receipts	\$ 330,096	\$ 9,951	\$ -	\$ 340,047
Disbursements	<u>507,658</u>	<u>-</u>	<u>-</u>	<u>507,658</u>
Net change in fund balances	(177,562)	9,951	-	(167,611)
Cash balances beginning of year	<u>999,487</u>	<u>(19,421)</u>	<u>19,363</u>	<u>999,429</u>
Cash balances end of year	<u>\$ 821,925</u>	<u>\$ (9,470)</u>	<u>\$ 19,363</u>	<u>\$ 831,818</u>

See accompanying independent auditor's report.

CITY OF STORM LAKE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

Schedule 6

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0088-009-2014	\$ 10,056
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-7422(611)--70-11	7,020
Highway Planning and Construction	20.205	STP-U-7422(613)--70-11	165,252
Highway Planning and Construction	20.205	STP-U-7422(614)--70-11	12,266
			<u>184,538</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	14-HSG-014	29,149
	14.228	13-CF-004	87,473
	14.228	13-DTR-012	6,992
			<u>123,614</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Hazard Mitigation Grant	97.039	HMGP-DR-1763-0165-01	3,936,667
Total			<u>\$4,254,875</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Storm Lake and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
JASON K. RAVELING  
TAMMY M. CARLSON, C.P.A.  
STEVE C. CAMPBELL, C.P.A.  
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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council  
Storm Lake, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Storm Lake, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 29, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Storm Lake's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hungelman, Putzier & Co., PLLC*

February 29, 2016

# HUNZELMAN, PUTZIER & Co., PLC

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## Independent Auditor's Report on Compliance for Each Major Federal Program, and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council  
City of Storm Lake  
Storm Lake, Iowa 50588

### Report on Compliance for Each Major Federal Program

We have audited City of Storm Lake, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. City of Storm Lake, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Storm Lake's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Storm Lake, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on City of Storm Lake's compliance.

### Opinion on Each Major Federal Program

In our opinion, City of Storm Lake, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of City of Storm Lake, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Storm Lake, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Storm Lake, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hungelman, Putzyier & Co., PLLC*

February 29, 2016

CITY OF STORM LAKE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles..
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs was CFDA Number 97.039 Hazard Mitigation Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Storm Lake did not qualify as a low-risk auditee.



CITY OF STORM LAKE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Financial Reporting – We noted the City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the cash basis of accounting in preparing the financial statements and the related disclosures.

Recommendation – The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response – The City will send staff to relevant accounting professional courses and read account literature.

Conclusion – Response accepted.

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the bank balance and the general ledger balance. The reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – The reconciliations will be performed monthly by the appropriate staff person(s). We will also have an independent person review the reconciliations to ensure accuracy.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the debt service functions.

Recommendation –The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend budgets in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the budget.

Conclusion – Response accepted.

CITY OF STORM LAKE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

Part III: Other Findings Related to Required Statutory Reporting: (Continued)

- (2) Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (3) Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (5) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (6) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.
- (7) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (8) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, we noted the City’s TIF revenues and ending cash balance of the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary do not agree with the City’s records.

Recommendation –The City should ensure the balances reported on the Levy Authority Summary agree with the City’s records.

Response – The City will work to ensure the balances reported in the Levy Authority Summary agree with the city’s records.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue Funds – Special Levy and Tax Increment Financing had deficit balances of \$8,902 and \$30,191, respectively, as of June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response – The City will investigate alternatives to eliminate deficits in the Special Revenue Funds starting in fiscal year 2015-2016.

Conclusion – Response accepted.